

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6122

BILL NUMBER: SB 107

NOTE PREPARED: Nov 20, 2003

BILL AMENDED:

SUBJECT: ICHIA Expenses and Assessments.

FIRST AUTHOR: Sen. Meeks R

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill limits the annual total assessment to members of the Indiana Comprehensive Health Insurance Association (ICHIA) to \$100 M. The bill provides that the amount of an annual net loss of more than \$100 M shall be assessed to and paid from the state General Fund.

The bill also limits payments under an Association policy to \$1 M during an insured's lifetime.

Effective Date: July 1, 2004.

Explanation of State Expenditures: *\$100 M Limit on Assessments to Members:* Under current law, any net losses that ICHIA incurs for the year are assessed by the Association to all members of the Association. The bill provides that if the net operating loss of the ICHIA program exceeds \$100 M, the excess shall be paid from the state General Fund.

ICHIA Net Losses (Assessment)		
Year	Assessment	Percent Change
1997	\$18.79 M	
1998	\$25.91 M	37.89%
1999	\$24.13 M	-6.87%
2000	\$34.82 M	44.30%
2001	\$61.41 M	76.36%
2002	\$66.73 M	8.66%

Currently, assessments are made three times a year. The assessment anticipates medical costs and is sent to providers in advance of the payment of medical costs. At the end of each fiscal year, a determination is made to adjust for over-assessments or under-assessments. These adjustments are referred to as “true-ups.” The table above lists the history of net losses through 2002.

Maximum Lifetime Limit: The bill also provides that the maximum amount that may be paid under an Association policy for eligible expenses of an insured during the insured’s lifetime may not exceed \$1 M. If the \$1 M cap were put in place, individuals over the cap would be displaced from the ICHIA program. This provision could limit future assessments. As of August 2003, ICHIA had 9,690 clients. As of November 2003, 10 clients had lifetime claims of over \$1 M. Nine of the 10 had a congenital disorder. The total amount paid for these 10 individuals equaled \$17.3 M in 2002 and equals \$12.3 M year-to-date for 2003. The exclusion of these individuals from the ICHIA program may lower total expenses and reduce the amount of annual assessments. However, the total effect this will have on annual assessments is dependent upon the number of individuals that hit this cap in a given year and the number of new individuals that obtain coverage under the ICHIA program.

Background Information: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are members of the Indiana Comprehensive Health Insurance Association (ICHIA). Prior to January 2003, ICHIA was funded through premiums paid by individuals obtaining insurance through ICHIA and by assessments to member companies (excluding self-insurers preempted by ERISA). The assessments were based on premiums received. Beginning in January 2003, assessments were based on lives covered. Effective July 1, 2003, assessments were based on both premiums received and lives covered.

To be eligible for an ICHIA policy, Indiana residents must show evidence of being denied insurance coverage by one carrier for coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual also may not be eligible for Medicaid or Medicare.

The net losses of ICHIA (the excess of expenses over premiums and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for

premiums charged for their insurance policies amounts sufficient to recoup the assessments.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected:

Information Sources: Doug Stratton, Executive Director, ICHIA, 317-877-5376; Ann Bingman, Administrator, 317-614-2017, and Cathy Taylor, 317-614-2086, Affiliated Computer Services.

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